



Agenda Date: 08/18/04  
Agenda Item: 5 D

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**

[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

WATER AND WASTEWATER

IN THE MATTER OF THE PETITION OF )  
MONTAGUE WATER COMPANY FOR AN )  
INCREASE IN RATES FOR WATER )  
SERVICE )

ORDER ADOPTING INITIAL  
DECISION/SETTLEMENT

BPU DOCKET NO. WR03121034  
OAL DOCKET NO. PUCRA 01351-2004N

(SERVICE LIST ATTACHED)

BY THE BOARD:

On December 31, 2003, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.11 and 14:1-5.12, Montague Water Company, (Montague or Company) a public utility of the State of New Jersey filed a petition with the Board of Public Utilities (Board) seeking approval of an increase in rates for water service. Montague is a wholly owned subsidiary of Utilities, Inc. whose principal office is located in Northbrook, Illinois.

Montague services approximately 712 customers in the Township of Montague, Sussex County, New Jersey. The Company's rate request would have resulted in an increase in total Company revenues of \$161,880 or 60.41% over current revenues of \$267,978 for the period ending December 31, 2003. After extensive settlement discussions among the Company, the Ratepayer Advocate (RPA) and Board Staff (Staff) (collectively, the Parties), an increase of \$41,600 representing a 14.94% increase over total Company revenues, was agreed to by the Parties resulting in total Company revenues of \$320,000<sup>1</sup>. This settlement is approved by this Order.

PROCEDURAL HISTORY

On January 12, 2004, this matter was transferred to the Office of Administrative Law (OAL) where it was assigned to Administrative Law Judge (ALJ) Stephen Weiss. A pre-hearing conference was conducted before ALJ Weiss on March 24, 2004. Thereafter, the case was transferred to ALJ Michael J. Mehr.

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<sup>1</sup> Total Company revenues of \$267,978 were revised in settlement discussions to include a three (3) year average growth analysis. The result of this analysis is a revised total Company revenue of \$278,400.

A public hearing was held on May 27, 2004, at Township Hall, located in the Township of Montague. About 60 individuals attended the public hearing, of which approximately 25 people spoke and objected to the large increase and the adverse financial impact it would pose upon them. There were no service or water quality complaints or comments addressed at the public hearing.

The Parties to this proceeding are the Company, the Division of the Ratepayer Advocate (RPA), and Board Staff (Staff). There were no interveners in this case.

Subsequent to the public hearing, the Parties engaged in settlement negotiations. The Parties reached a settlement on all issues (Stipulation or Settlement).

ALJ Mehr issued his Initial Decision recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and was consistent with the law.

### STIPULATION

As more fully set forth in the attached Stipulation,<sup>2</sup> the Parties agreed that:

1. Montague Water Company's total rate base is \$690,129 (Settlement Paragraph 6).
2. The appropriate return on equity for the Company is 9.75% resulting in an overall rate of return of 8.28% (Settlement Paragraph 7).
3. An overall rate of return of 8.28% would result in an additional revenue requirement of \$41,600 (14.94%) above adjusted test year water revenues. This amount was calculated as follows (Settlement Paragraph 8):

Rate Base	\$ 690,129
Rate of Return	x 8.28%
Required Operating Income	\$ 57,143
Test Year Operating Income	\$ 33,935
Deficiency	\$ 23,208
Revenue Conversion Factor	x 1.7925
Revenue Requirement	\$ 41,600

4. A revenue increase of \$41,600 or 14.94% over current revenues represents the level of revenue necessary to ensure that the Company will continue to provide safe, adequate, and proper water service to their customers. Exhibit A is a proof of revenues for the Company (Settlement Paragraph 9).
5. The attached tariff pages (included as Exhibit B), implementing the terms of this stipulation, should be adopted by the Board in their entirety (Settlement paragraph 10).

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<sup>2</sup> Cited paragraph references are in the settlement document. This is only a summary, the full settlement document controls, subject to the Board's findings and conclusions contained herein.

## DISCUSSIONS AND FINDINGS

As a result of the Stipulation, a residential 5/8" metered customer using 45,000 gallons of water per year will experience an increase from \$412.80 per year (\$103.20 per quarter) to \$474.21 per year (\$118.55 per quarter). This represents an annual increase of about 14.88% or \$61.41 per year or \$15.35 per quarter.

The Board having reviewed ALJ Mehr's Initial Decision and the Stipulation FINDS that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the Stipulation to be reasonable and in the public interest.

The Board HEREBY ADOPTS the Initial Decision and the Stipulation attached, hereto, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:


- a) The Company's total rate base for purposes of this proceeding shall be \$690,129.
- b) The return on common equity shall be 9.75%, and the overall rate of return shall be 8.28%
- c) Utilizing a rate of return of 8.28% shall result in an overall additional revenue requirement of \$41,600.
- d) The revenue requirement for Montague Water Company shall be \$320,000.
- e) An increase of \$41,600, over current revenues of \$278,400, equates to an approximate increase of 14.94%.
- f) The revenue requirement of \$320,000 shall ensure that Montague Water Company will continue to provide safe, adequate, and proper water service to its customers.

- g) The tariff pages attached to the Stipulation as Exhibit A are hereby adopted by the Board.


The effective date of this Order is as dated below.

DATED: 8/19/04

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CAROL J. MURPHY  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

  
JACK ALTER  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I/M/O THE PETITION OF MONTAGUE WATER COMPANY  
FOR APPROVAL OF AN INCREASE IN ITS RATES  
FOR WATER SERVICE  
DOCKET NO. WR03121034  
OAL DOCKET NO. PUCRA 01351-2004N

SERVICE LIST

Walter G. Reinhard, Esq.  
Norris McLaughlin & Marcus, PA  
P.O. Box 1018  
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Babette Tenzer, DAG  
Department of Law and Public Safety  
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124 Halsey St. 5<sup>th</sup> Floor  
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Walter W. Cota  
New Jersey Division of Taxation  
Public Utilities Tax Section  
50 Barrack St.  
P.O. Box 246  
Trenton, NJ 08625-0246



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 1351-04  
AGENCY DKT. NO. WR03121034

**IN THE MATTER OF THE PETITION OF  
MONTAGUE WATER COMPANY FOR AN  
INCREASE IN RATES FOR WATER SERVICE**

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**Walter G. Reinhard, Esq.** for Petitioner  
(Norris, McLaughlin & Marcus, PA, Attorneys)

**Susan E. McClure, Esq.**, Assistant Deputy Ratepayer  
Advocate for the Division of the Ratepayer Advocate  
(Seema Singh, Ratepayer Advocate, attorney)

**Babette Tenzer, Esq. and Alex Moreau, Esq.**, Deputy Attorneys General  
for Staff of the Board of Public Utilities  
(Peter C. Harvey, Attorney General of New Jersey, attorney)

Record Closed: August 2, 2004

Decided: August 3, 2004

BEFORE **MICHAEL J. MEHR, ALJ:**

Before me is a stipulated settlement of the above entitled small water rate increase case proposing a 60% rate increase or about \$160,000; the settlement at a 14.9% increase or about \$40,000, is clearly in the public interest and I recommend its adoption by the Board of Public Utilities ("Board").

I commend Board Staff, the Deputies Attorney General and Ratepayer Advocates for resolving this matter in the public interest.

There is a companion sewer case before me in which I am advised is also settled and is being memorialized in writing for my review and the Board's determination.

I therefore **FIND**:

1. The parties have voluntarily agreed to the Stipulation as evidenced by their signatures thereon;
2. The Stipulation attached hereto and incorporated herein, fully disposes of all issues and controversies and is consistent with the law.
3. The Stipulation is in the public interest.

I therefore **CONCLUDE** that the stipulation complies with *N.J.A.C. 1:1-19.1* and recommend to the Board that it should be approved.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with *N.J.S.A.* 52:14B-10.

4 Aug 2004  
DATE

MJ Mehr  
MICHAEL J. MEHR, ALJ/ta

Receipt Acknowledged:

\_\_\_\_\_  
DATE

\_\_\_\_\_  
BOARD OF PUBLIC UTILITIES

Mailed to Parties:

\_\_\_\_\_  
DATE  
tc/sej

\_\_\_\_\_  
OFFICE OF ADMINISTRATIVE LAW



STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION  
OF MONTAGUE WATER COMPANY  
FOR AN INCREASE IN RATES FOR  
WATER SERVICE

) Docket Nos. WR03121034 (Water)  
)  
)  
) OAL Docket No. PUCRA01351-2004N  
)  
) **STIPULATION OF SETTLEMENT**

**APPEARANCES**

Walter G. Reinhard, Esq., for Petitioner  
(Norris, McLaughlin & Marcus, PA, Attorneys)

Susan E. McClure, Esq., Assistant Deputy Ratepayer  
Advocate for the Division of the Ratepayer Advocate  
(Seema M. Singh, Esq., Ratepayer Advocate)

Babette Tenzer, Esq. and Alex Moreau, Esq., Deputy Attorneys General, for  
Staff of the Board of Public Utilities  
(Peter C. Harvey, Esq., Attorney General of New Jersey)

I. Introduction

1. On December 31, 2003, Montague Water Company (hereinafter  
"Petitioner" or "Montague Water") filed a petition with the Board of Public Utilities  
("Board") pursuant to NJSA 48:2-21 and NJAC 14:1-5.11 and 5.12 which, as  
subsequently amended, requested an increase in rates for water service of  
approximately \$161,880 or 60.4% above revenues for the test year ended December  
31, 2003.

2. The Amended Petition requested relief for Montague Water to account for increases in operating expenses and for post-test year capital projects to be completed within six months of the end of the test year. The capital projects consisted of interconnections between the main water system and the True Tract and the Armstrong/Alnorth Tract, two portions of the system which were previously isolated. Petitioner chose the 12 months ended December 31, 2003 as the test year.

II. Procedural History

3. On March 24, 2004, a prehearing conference was held by telephone before Hon. Stephen Weiss, ALJ and a Prehearing Order was issued by Judge Weiss. Thereafter, the case was transferred to Hon. Michael J. Mehr, ALJ.

4. After proper notice, a public hearing was held before Judge Mehr on May 27, 2004 at Township Hall in the Township of Montague. A number of customers and one public official appeared and presented statements opposing the level of the proposed rate increase. The Stipulation presented below addresses these issues. Neither the Township nor any other party intervened in the case.

5. Petitioner, the Division of the Ratepayer Advocate ("Ratepayer Advocate"), and Staff of the Board of Public Utilities of the State of New Jersey, ("Staff"), (hereinafter the "Parties"), as a result of analyzing the testimony and exhibits submitted by Petitioner and the Ratepayer Advocate, conferences, negotiations, responses to discovery requests, and a public hearing have conducted settlement negotiations. These settlement discussions have resulted in the agreement reflected in this Stipulation of Settlement ("Stipulation"), as follows:

III. Stipulation

6. Montague Water Company's total rate base for purposes of this proceeding is agreed to be \$690,129.

7. For the purposes of this proceeding, the Parties have agreed that for Montague Water an overall rate of return of 8.28% is appropriate, including a return on equity of 9.75%.

8. The Parties to this proceeding agree that utilizing an overall rate of return of 8.28% results in an additional revenue requirement of \$41,600 above adjusted test year water revenues or approximately 14.9% as calculated on Schedule A, below:

SCHEDULE A

Rate Base	\$690,129
Rate of Return	8.28%
Required Operating Income	\$ 57,143
Test year Operating Income	\$ <u>33,935</u>
Deficiency	\$ 23,208
Revenue Conversion Factor	1.7925
Revenue Requirement	\$ 41,600

9. The Parties stipulate that a revenue increase for Montague Water Company of \$41,600 or 14.90% over current revenues, is an appropriate result of this matter. The Parties anticipate this increase being effective as of the date of the Board's Order in this matter. The Parties agree that this revenue requirement represents the level of revenues necessary to ensure that the Company will continue

to provide safe, adequate and proper water service to its customers. Attached as Exhibit A is a proof of revenues for the Company.

10. The Parties agree that the attached tariff pages (Exhibit B) reflecting the agreement of the Parties should be adopted by the Board in their entirety.

#### IV. Effect of Stipulation

11. This Stipulation is the product of extensive negotiation by the signatories, and it is an express condition of the settlement embodied by this Stipulation that it be accepted by the Board in its entirety without modification or condition. It is also the intent of the signatories to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken from the order adopting same as to those issues upon which the parties have stipulated herein. The parties agree that the within Stipulation reflects mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, and that it will avoid protracted and costly litigation of certain issues and that with respect to any policy or other issues which were

compromised in the spirit of reaching an agreement, none of the parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

12. This Stipulation may be simultaneously executed in several counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts shall together constitute one and the same instrument consisting of several counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Stipulation of Settlement to be duly executed as of the date set forth below.

MONTAGUE WATER COMPANY

Dated: 7/29/04

By: 

Walter G. Reinhard, Esq.  
Norris, McLaughlin & Marcus, PA

SEEMA M. SINGH, ESQ.,  
RATEPAYER ADVOCATE  
DIVISION OF THE RATEPAYER ADVOCATE

Dated: 7/29/04

By: 

Susan E. McClure, Esq.  
Assistant Deputy Ratepayer Advocate

PETER C. HARVEY, ESQ.  
ATTORNEY GENERAL OF NEW JERSEY

Dated: 7/29/04

By: Babette Tenzer  
Babette Tenzer, Esq.  
Deputy Attorney General

**MONTAGUE WATER AND SEWER COMPANY  
CALCULATION OF WATER REVENUES**

	Billing Units	Consumption	Monthly Base Rate	Monthly Usage Charge	Revenue
27001 Residential	8,616		\$ 10.23		\$ 88,108
27004 Fire Hydrant	324	27,120,358	\$ 20.11	\$ 7.81	\$ 211,810
27006 Residential (no meter)	48	-	\$ 41.73	\$ -	\$ 2,003
27007 2" meter	12	-	\$ 210.98	\$ -	\$ 2,532
27008 3" meter	12	128,000	\$ 395.99	\$ 7.81	\$ 1,000
		420,000		\$ 7.81	\$ 4,752
					\$ 3,280
	9,012	27,668,358			\$ 320,000

Proof:

Water revenues under new rates	\$ 320,000
Pro forma water revenues per filing	\$ 278,400
Increase in water revenues	\$ 41,600

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RATE SCHEDULE NO. 1

Residential Service

Applicable to use of service for:

Residential Service

Character of Service:

Continuous

Rate:

Monthly charges

Base facilities charge: \$10.23 per month

Metered consumption: \$ 7.81 per thousand gallons

Unmetered service \$41.73 per month

Terms of Payment:

Net cash, becoming delinquent  
21 days from date of billing

The above rate does not include the water tax of \$0.01 per 1,000 gallons pursuant to L. 1983, c. 443.

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Issued: July 7, 2004 Effective: Upon Order of the Board

Issued by: Lawrence N. Schumacher, Vice President  
Montague Water Company  
266 Clove Road  
Montague, New Jersey 07827

Issued pursuant to Order of the New Jersey Board of Public Utilities dated \_\_\_\_\_,  
2004 in Docket No. WR03121034.



### Club House and Pool Service

Issued pursuant to Order of the New Jersey Board of Public Utilities dated \_\_\_\_\_,  
2004 in Docket No. WR03121034.

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RATE SCHEDULE NO. 3

Golf Course Service  
[RESERVED]

Applicable to use of service for:

Grounds of Golf Course in  
"High Point Country Club Community"

Character of Service:

Continuous

Rate:

Terms of Payment:

Net cash, becoming delinquent  
21 days from date of billing

The above rate does not include the water tax of \$0.01 per 1,000 gallons pursuant to L.  
1983, c. 443.

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Issued: July 7, 2004

Effective: Upon Order of the Board

Issued by: Lawrence N. Schumacher, Vice President  
Montague Water Company  
266 Clove Road  
Montague, New Jersey 07827

Issued pursuant to Order of the New Jersey Board of Public Utilities dated \_\_\_\_\_,  
2004 in Docket No. WR03121034.

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- (16) For failure to authorize installation of a remote meter reading device when required to do so by the provisions of these Standard Terms and Conditions.
- d. For refusal of reasonable access to customer's premises for necessary purposes in connection with rendering of service, including meter installation, reading, or testing, or the maintenance or removal of the company's property.
39. Service will be renewed under a proper application when the conditions under which such service was discontinued are corrected, and upon the payment of all proper charges provided in this Tariff, including a reconnection charge of \$25.

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Issued: July 7, 2004

Effective: Upon Order of the Board

Issued by: Lawrence N. Schumacher, Vice President  
Montague Water Company  
266 Clove Road  
Montague, New Jersey 07827

Issued pursuant to Order of the New Jersey Board of Public Utilities dated \_\_\_\_\_,  
2004 in Docket No. WR03121034